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NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
SOUTHCOM FOR POLAD

E.O. 12958: N/A  
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SUBJECT: PARAGUAY: COURT SENTENCES FORMER PRESIDENT  
GONZALEZ MACCHI TO SIX YEARS PRISON

¶1. SUMMARY: On June 5 a court sentenced former President Gonzalez Macchi to six years in prison for his involvement in the illegal transfer of USD 16 million from a liquidated bank in 2000. Five others were also convicted in separate hearings for their involvement in the case. This is the biggest penalty given to a former senior official in Paraguayan history, making this case significant given the lack of confidence in the Paraguayan judicial system and problems with impunity. Despite such history making, the former President remains free while his case is in appeal.  
END SUMMARY.

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Historic Conviction  
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¶2. On June 5, a court composed of three judges sentenced former President Luis Angel Gonzalez Macchi (GM) to six years in prison for his involvement in the illegal transfer of USD 16 million from the liquidated Oriental Bank in 2000. Prosecutor Victoria Acuna from the Economic Crimes Unit within the Public Ministry, explained to POLOFF that GM had detailed knowledge of the transfer and used his position of power, his father, and his brother (a then criminal court judge) to persuade others that the actions were in fact legal. Acuna noted that the conviction was unanimous by all three judges leaving little doubt as to his involvement. Currently, GM remains free while his case is in appeal. Acuna explained that this signifies GM received special treatment, as many Paraguayans must await their trial in jail. Acuna noted that GM's passport is suspended, but he remains free to travel internally in the country. Gonzalez Macchi does not have a valid U.S. visa.

¶3. In separate court cases, five others were also convicted for their involvement in the illegal funds transfer. These include the "mastermind" behind the transfer scheme, former Central Bank Director Julio Gonzalez Ugarte (10 years prison), former Superintendent of Banks Carlos Pecci (8 years), and former Oriental Bank liquidator Valeria Ortiz de Esteche (4 years). In addition, the courts convicted former Presidential Advisor Roman Guillen (3 years, eight months) and the President of the Paraguayan Humanitarian Foundation Juan Rodriguez Leith (4 years). The sentence handed down by the court is the longest sentence given to a former senior

official. In 2006, former President Juan Carlos Wasmosy was sentenced to four years in prison for illicit enrichment; his case is currently under appeal.

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Next Steps  
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¶4. GM will likely appeal the case and maintains his innocence. The defense has until June 27 to file an appeal after which an appellate tribunal has 15 working days to confirm or overturn the sentence. If the appellate tribunal were to overturn the ruling for misinterpretation of the law, the case would revert back to the criminal court for reconsideration or a reduction in sentence. If the ruling is upheld, the defense will likely appeal to the Supreme Court. Acuna told POLOFF that she believes the appellate tribunal will uphold the conviction. She also noted that the defense is likely to call in political favors to delay the proceedings. Interestingly, Acuna noted that she had not received any threats or offers of bribes for her work in the case, unlike the pressure prosecutors can face in taking on cases targeting powerful politicians and/or their friends/interests. (Note: GM and his wife also face additional charges of illicit enrichment in a separate pending case. Their trial date is set for late 2006. End Note.)

¶5. COMMENT: The fact that the court unanimously convicted a former President and gave him a lengthy sentence is significant given Paraguay's notorious record for impunity when it comes to powerful, well connected political and/or business leaders. (Note: Prosecutors asked for the maximum sentence of 10 years in prison, a six-year sentence is

considered a grave sentence by the Paraguayan judiciary and legal community. End Note.) It remains to be seen whether the conviction will stand through the appeals process. Politics, favors, and corruption could well play a larger role during the next phase of the case. Post will continue to monitor the appeals process and report as appropriate. END COMMENT.

CASON